

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 TRSE-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 AGR-05 AGRE-00 DODE-00 PA-01 PRS-01

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R 271834Z SEP 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 5411

INFO AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY BONN

USMISSION EC BRUSSELS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL NICE

AMCONSUL STRASBOURG

AMCONSUL MARSEILLE

C O N F I D E N T I A L SECTION 01 OF 02 PARIS 28285

DEPARTMENT PLEASE PASS TREASURY

E.O. 11652: GDS

TAGS: PINT FR ECON

SUBJECT: PRIME MINISTER BARRE'S ECONOMIC PLAN: THE  
POLITICAL DIMENSION

REF: PARIS 27833; PARIS 27889; PARIS 28065

SUMMARY: THERE IS NATURALLY LITTLE ENTHUSIASM FOR THE  
BARRE PLAN BECAUSE IT HITS EVERYONE IN THE POCKETBOOK.  
A NEGATIVE REACTION FROM THE KEY WHITE COLLAR UNION  
(CGC) SHOULD BE SEEN IN THIS PERSPECTIVE, BUT IT IS WOR-  
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RISOME NEVERTHELESS SINCE THESE ARE THE PEOPLE WHO WILL

CONSTITUTE A LARGE PART OF THE VITAL SWING VOTE IN THE CLOSE ELECTION FORECAST FOR 1978. ON THE OTHER HAND, THE NEW PRIME MINISTER IS PROJECTING AN IMAGE OF SOLID CALM, CONFIDENCE AND TRUSTWORTHINESS. IF HIS PLAN LEADS TO DISCERNIBLE IMPROVEMENT BY MID-1977, AND IF GISCARD RUNS A HARD-HITTING CAMPAIGN AFTER THAT, THE MAJORITY MIGHT JUST SQUEEZE THROUGH WITH A NARROW VICTORY IN THE LEGISLATIVE ELECTIONS. WE CANNOT REALLY BE OPTIMISTIC, BUT THE SELECTION OF BARRE, AND THE CONTENT OF HIS PLAN, SEEM TO BE GOOD OPTIONS FOR GISCARD AT THIS TIME. END SUMMARY.

1. FRANCE HAS HAD ENOUGH TIME TO ABSORB THE BARRE ANTI-INFLATIONARY PROGRAM, AND WE CAN NOW DRAW SOME PRELIMINARY CONCLUSIONS AS TO THE POTENTIAL POLITICAL IMPACT.

2. FIRST, AND PROBABLY MOST IMPORTANT, WAS THE IMPACT MADE BY PRIME MINISTER BARRE AS A NEW POLITICAL PERSONALITY, APART FROM THE SUBSTANCE OF HIS PROGRAM. EVERY INDICATION SO FAR POINTS TO A SUCCESS. HIS APPEARANCE ON TELEVISION PROJECTED AN IMAGE OF WISDOM, STABILITY AND CONFIDENCE. HE WAS ABLE, WE BELIEVE, TO DEMONSTRATE THAT CALM HAS RETURNED TO THE GOVERNING MAJORITY AFTER SIX MONTHS OF INTER-PARTY BICKERING THAT THREATENED TO DISRUPT GISCARD'S LEADERSHIP. A SOFRES POLL PUBLISHED IN FIGARO SEPTEMBER 27 TENDS TO CONFIRM THIS VIEW. A SOLID 58 PERCENT OF THE SAMPLING SAID THAT BARRE IMPRESSED THEM FAVORABLY.

3. THE POLITICAL IMPACT OF THE ANTI-INFLATIONARY PLAN ITSELF IS ANOTHER STORY. AS WE HAVE ALREADY REPORTED, ORGANIZED LABOR HAS REACTED NEGATIVELY IN VARYING DEGREES, DEPENDING ON THE ORIENTATION OF THE DIFFERENT FEDERATIONS (PARIS 26612). OVER THE WEEKEND OF SEPTEMBER 25-26, THE WHITE COLLAR MIDDLE MANAGERIAL GROUP REPRESENTED BY THE CGC UNION ATTACKED THE PLAN, LEAVING ONLY THE UPPER MANAGERIAL GROUP AS HAVING EXPRESSED RESERVED SUPPORT. NATURALLY, THERE IS NO WAVE OF ENTHUSIASM FOR THE PLAN WHICH HITS EVERYONE IN THE POCKET-BOOK. NOBODY IS HAPPY WITH INCREASED INCOME TAXES, CONFIDENTIAL

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GASOLINE TAXES AND AUTOMOBILE TAXES. THE PROSPECT OF NON-INCREASES IN REAL WAGES FOR 1977 IS ALSO UNATTRACTIVE. IN A MORE PROFOUND SENSE, THERE IS A BASIC SKEPTICISM TOWARD ANTI-INFLATIONARY MEASURES WHICH HAVE NEVER REALLY BEEN VERY EFFECTIVE IN FRANCE SINCE THE SECOND WORLD WAR. THIS ATTITUDE IS REFLECTED IN THE SAME SOFRES POLL CITED ABOVE IN WHICH 55 PERCENT OF THE SAMPLING SAID THEY DID NOT EXPECT THE BARRE PLAN TO

SUCCEED. THIS LEADS TO THE CONCLUSION THAT EVEN A SMALL AMOUNT OF SUCCESS WITH INFLATION WITHIN THE NEXT TWELVE MONTHS MIGHT BENEFIT GISCARD'S MAJORITY IN THE SUBSEQUENT ELECTION, ALTHOUGH THE LEFT WILL OBVIOUSLY BRAND THE PROGRAM A COMPLETE FAILURE IF INFLATION IS NOT LOWERED TO 6.5 PERCENT AS BARRE HAS FORECAST.

4. WITH THE LIKELY PROSPECT OF A VERY CLOSE LEGISLATIVE ELECTION IN 1978 (AND THE EMBASSY HAS ABSOLUTELY NO REASON TO BELIEVE IT WILL TAKE PLACE ANY EARLIER), THE KEY QUESTION IS WHAT WILL BE THE IMPACT ON THAT KEY GROUP OF FORMER CENTRIST VOTERS WHO APPEAR DETERMINED TO

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VOTE FOR THE COMMON PROGRAM OF THE LEFT. MANY OF THESE PEOPLE ARE IN THE WHITE COLLAR GROUP OF MIDDLE AND LOWER MANAGEMENT EMPLOYEES REPRESENTED BY THE CGC UNION MENTIONED ABOVE. MANY OF THEM FEEL THEY HAVE BEEN CHEATED DURING THE PAST FIVE YEARS. STATISTICAL STUDIES WHICH DEMONSTRATE THAT THE DISPARITY BETWEEN THEM AND THE BLUE COLLAR WORKERS IS GREATER IN FRANCE THAN ANYWHERE ELSE IN THE OECD ARE NOT HURTING THEIR CONSCIENCES. ON THE CONTRARY, THEY CLAIM THE GOF HAS BEEN SO BUSY TRYING TO REDUCE THAT DISPARITY THAT THEIR REAL INCOME HAS GONE UP MUCH TOO SLOWLY IN COMPARISON WITH EVERYBODY ELSE'S. CONFIDENTIAL

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THIS IS THE MIDDLE CLASS SQUEEZE WHICH SEEMS TO BE SIMILAR IN MOST WESTERN INDUSTRIALIZED COUNTRIES.

5. ALTHOUGH THE BARRE PLAN APPEARS TO BE EQUITABLE IN THAT IT SPREADS THE BURDEN AMONG ALL GROUPS, AND IN PROPORTION TO THEIR ABILITY TO PAY, IT DOES NOT DIRECTLY ADDRESS THE BASIC CONCERNS OF THE KEY SWING VOTER GROUP MENTIONED ABOVE. SOME NOTICEABLE RESULTS ON THE ANTI-INFLATIONARY FRONT BY MID-1977, FOLLOWED BY A HARD-HITTING CAMPAIGN AGAINST THE COMMON PROGRAM IN LATE 1977 AND EARLY 1978, MAY SHIFT ENOUGH VOTES TO GIVE THE MAJORITY A NARROW VICTORY. GISCARD KNOWS HE IS BUCKING A FUNDAMENTAL PRO-LEFT TREND THAT STARTED LONG BEFORE HE TOOK OFFICE. THE BARRE PLAN MAY BE TOO LATE IN THE SENSE THAT GISCARD FAILED TO ACT ON THE INFLATION PROGRAM IN A CONSISTENT WAY IN HIS FIRST TWO YEARS. WE CANNOT BE OPTIMISTIC, BUT AS OF SEPTEMBER 1976, THE EMBASSY BELIEVES THAT GISCARD'S CHOICE OF BARRE AS PRIME MINISTER, AND THE CONTEHT OF THE BARRE PLAN, AT LEAST GIVE GISCARD A FIGHTING CHANCE FOR 1978. RUSH

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